

SENATE TAXExhibit No. 4Date 3-6-2015Bill No. SB 378

I favor a military pay exemption that can be verified by a W-2, provides the same exemption for active component and National Guard, and is revenue neutral.

I suggest amending SB 378 so that both active component and National Guard are treated the same with an exemption of 50% of their military pay reported as federal income in Box 1 of their W-2.

The current version of SB 378 exempts, "Title 32 U.S.C. for a homeland defense activity, as defined in Title 32 U.S.C. 901, or a contingency operation, as defined in 10 U.S.C. 101, and the person was a member of a unit engaged in a homeland defense activity or contingency operation." Both the Department of Revenue and I are concerned about how to verify this.

Unlike the very limited circumstance when National Guard would be exempt, the military pay of active component would always be exempt. This has the unintended consequence of being an insult to the National Guard.

Currently, the military pay exemption results in a \$7 million dollar reduction in taxes for active component. Reducing the exemption to 50% of Box 1 is estimated to result in an increase in revenue of about \$1 million from the active component. Extending the 50% exemption to the National Guard is estimated to result in reduction of income tax revenue of about \$1 million.

I favor my proposal because of the following:

1. W-2 can be used to prepare Montana income tax return for National Guard;
2. Active component and National Guard soldiers are treated the same for the exemption; and
3. The amended bill is revenue neutral.

James C. Wangerin, CPA
413 Main St.
Deer Lodge, MT 59722
P: (406) 846-1862
F: (406) 846-7517

	Taxpayer	Spouse (If married filing separate on combined form)
Federal		
Adjusted Gross Income	35,068.	
Additions to income	0.	
Reductions to income	17,534.	
Montana		
Adjusted Gross Income	17,534.	
Itemized or standard deduction	3,880.	
Exemptions	4,660.	
Taxable income	8,994.	
Total tax	206.	
Total payments and credits	0.	
Penalty, interest		
Contributions	0.	
Amount overpaid		
Amount credited to estimate		
Refunded to you		
Balance due	206.	

	Taxpayer	Spouse (If married filing separate on combined form)
Federal		
Adjusted Gross Income	35,068.	
Additions to income	0.	
Reductions to income		
Montana		
Adjusted Gross Income	35,068.	
Itemized or standard deduction	7,014.	
Exemptions	4,660.	
Taxable income	23,394.	
Total tax	1,070.	
Total payments and credits	0.	
Penalty, interest		
Contributions	0.	
Amount overpaid		
Amount credited to estimate		
Refunded to you		
Balance due	1,070.	